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Genevieve Morelli
Vice President & General Counsel

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 22, 1993

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M St., N.W.
Room 222
Washington, D.C. 20554

92-77/
Re: Ex Parte Communication
CC Docket No. 92-77

Dear Mr. Caton:

On November 22, 1993, Genevieve Morelli, Jim Smith and Brad Mutschelknaus, representing the Competitive Telecommunications Association ("CompTel"), met with Gary Phillips and Mark Nadel of the Common Carrier Bureau to discuss the attached release and report.

Please direct any questions concerning this letter to the undersigned.

Sincerely,

Genevieve Morelli
Genevieve Morelli

cc: Gary Phillips
Mark Nadel

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AN UPDATE FROM THE COMPETITIVE TELECOMMUNICATIONS ASSOCIATION

For Immediate Release
November 10, 1993

Contact: Jim Smith or Doug Wiley
(202) 296-6650

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NOV 22 1993

NEW STUDY FINDS THAT FCC "BILLED PARTY PREFERENCE" PROPOSAL FOR OPERATOR CALLS WOULD COST CONSUMERS MORE THAN 60¢ PER CALL

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

WASHINGTON, D.C., November 10, 1993 -- A new study of the probable costs and benefits of a "billed party preference" ("BPP") system for operator-assisted telephone calling has found that the BPP proposal would "benefit" less than 19 percent of such calls, and that the \$1-2 billion price tag for implementing BPP would add about 63¢ to the cost of each such call. The study was performed by Frost & Sullivan Market Intelligence, a leading international high-technology market research firm.

Frost & Sullivan's "Report on Applicability and Costs of Billed Party Preference," commissioned by the Competitive Telecommunications Association (CompTel), analyzes the projected costs of the FCC-proposed BPP system, which would mandate the routing of operator-assisted calls (those in which the caller dials "0" by itself or before the telephone number) to the carrier of the billed party's choosing. BPP would replace the current commission-based system wherein a premises owner (hotel, airport, retail store, etc.) chooses the carrier to which "0+" dialed calls on its telephones are routed. Proponents of BPP claim that it will restore consumer choice to operator-assisted calling, reduce confusion and reduce the risk of unduly high charges for such calls, while BPP opponents counter that the proposal would add billions of dollars of costs to solve a problem that has been largely resolved by consumer education, and that it would decimate competition for 0+ services.

Based upon extensive surveying and independent analysis and using the latest available (1992) data, the Frost & Sullivan study concludes that no more than 19 percent of the operator-assisted calls BPP is intended to "benefit" (including those made using telephone company "calling cards") would even be affected by the implementation of BPP. The study subtracted several categories of calls from the 3.3 billion estimated total number of such calls: (1) calls in which the dialing party and the telephone used are presubscribed to the same carrier (in which case the result under BPP would be unchanged from the current system);

(2) calls where the caller already accesses his/her carrier of choice by "dialing around" using an access code (e.g., 10XXX, "800" numbers, "950" prefixes) (where a BPP system would never be accessed); and (3) calls where even today, a caller who simply dials "0" is directed by a local exchange operator to the long-distance carrier of his/her choice (where a BPP system would merely duplicate the status quo). In 1992, these calls where BPP would confer no "benefit" totalled 2.67 billion, or 81% of the operator-assisted calls BPP is intended to affect. Frost & Sullivan views this number as a conservative estimate of the percentage of calls BPP would not benefit, noting the uncertain applicability of BPP to locations now served by special access (e.g., large hotels) and the dubious "benefit" of BPP to calls involving multiple "live" operators.

Frost & Sullivan then calculated the "per-call" cost of BPP using information supplied to the FCC by the seven RBOCs and GTE, and concluded that the cost of BPP per call affected or "benefitted" by the system will average at least 63¢ over the first five years.

Finally, the Frost & Sullivan report analyzed the extent to which an estimated \$500 - 550 million in annual presubscription commissions presently paid to premises owners/"aggregators" by providers of operator-assisted services will be "saved" if the present commission-based regime is replaced by a BPP system. Noting the predictable desire of hotels, other institutions and private payphone owners to retain the revenue stream currently generated by operator-assisted call commissions, Frost & Sullivan concluded that lost commissions due to BPP would be largely offset by magnified location-specific surcharges (e.g., hotel per-call surcharges) and increased "dial-around" compensation to payphone owners.

Commenting on the new study, CompTel President James M. Smith stated, "We asked Frost & Sullivan to independently assess the cost/benefit of billed party preference, focusing on how many calls and callers will actually derive a benefit from BPP and at what cost. Given the increasing knowledge, ability and ease of consumers to gain access to their preferred carrier under currently available means -- largely due to recent federal legislation and FCC actions -- this study validates our view that BPP is, to an ever-greater extent, an excessively costly solution in search of a problem. When added to the huge competitive cost that BPP would effectively preclude all but the largest nationwide carriers from competing in the operator-assisted services market, it's now quite evident that BPP's serious flaws outweigh its perceived benefits."

* * *

CompTel is the principal national industry association of over 130 competitive long-distance telephone companies and their suppliers.

Report on Applicability and Costs of Billed Party Preference

A Market Impact Report

By

**Frost & Sullivan, Inc.
Mountain View, CA**

October, 1993

Report on Applicability and Costs of Billed Party Preference

Frost & Sullivan, Inc. takes no responsibility for any incorrect information supplied to us by manufacturers or users. Quantitative market information is based primarily on interviews and therefore is subject to fluctuation.

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Report on Applicability and Costs of Billed Party Preference

Executive Summary

The Competitive Telecommunications Association (CompTel) commissioned Frost and Sullivan in September 1993 to analyze both the applicability of the proposed Billed Party Preference (BPP) system to the universe of non-direct-billed telephone calls, and the system's costs to the U.S. public. After reviewing documents filed in FCC Docket 92-77, relevant industry statistics and cost data, and extensively interviewing and soliciting additional data from industry participants, Frost & Sullivan has reached the following conclusions:

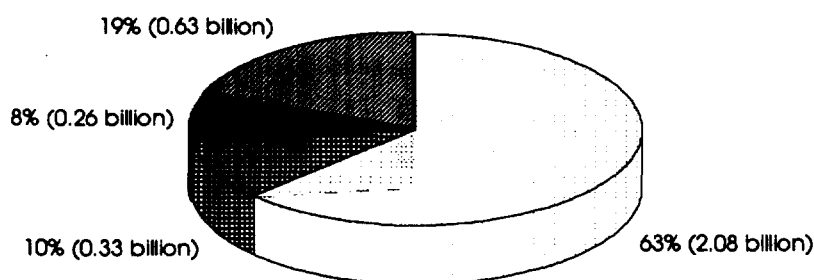
- ◆ A maximum of 19 percent of operator services and access code calls on interexchange carrier networks could have potentially benefited in 1992 from a Billed Party Preference (BPP) system as currently envisioned. This refers to that proportion of calls that would, through the agency of BPP, be automatically rerouted through "0+" or "0-" dialing to the billed party's carrier of choice.
- ◆ Based on a range of BPP's estimated implementation costs amortized over its first five years along with annual operational costs, the average cost of BPP over

that five-year period per benefited call is 63 cents per call based on estimates submitted to the FCC by the 8 major local exchange carriers (and accounting solely for their own costs) and 99 cents per call based on CompTel's higher estimates, including costs to all LECs and IXCs.

- ◆ An additional 10 percent of calls in which callers previously dialed special access codes to reach preferred carriers would now be able to access those carriers through "0+" dialing rather than dialing these longer codes. However, since increased BPP access times would likely exceed any time saved on keystrokes and callers would again need to change their dialing habits, it is unlikely that any net benefit would be experienced.
- ◆ Commissions paid to aggregators by IXCs during 1992 are estimated at between \$500 million and \$550 million. While BPP would cause the level of these commissions to drop, consumer savings would be heavily offset by increases in location-specific surcharges and dial-around compensation payments to payphone owners, as well as reduced availability of payphones and services.

Chart 1

Total 0+/0-/Access Code Calling by BPP Status, 1992



<input type="checkbox"/> Unaffected: Caller/Phone Share Same Preference	<input checked="" type="checkbox"/> Unaffected: Dial-Around Calling	<input checked="" type="checkbox"/> Unaffected: Handled by Operator - Billed/Calling Parties the Same	<input checked="" type="checkbox"/> Affected by BPP
--	--	---	---

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Billed Party Preference

Introduction

Under its CC docket 92-77, the Federal Communications Commission (FCC) is considering implementation of an automated system of Billed Party Preference (BPP) that would route operator services calls to the carrier of the billed party's choosing, rather than to that of the presubscribed carrier of the originating telephone. This is primarily relevant for "away-from-home" calling, in which telephones are now presubscribed by the proprietors or location owners of a payphone or accommodation (e.g., hotel, hospital).

BPP has been promoted as a means of restoring consumer choice to a sector of the telecommunications market in which such choice is typically vested in payphone and accommodation proprietors and agents, who frequently patronize operator services providers based on their payment of large commissions on operator services calling. Partly in order to finance these commissions, end-users are often charged higher rates than those of AT&T and other major carriers.

The Commission tentatively concluded in a notice of proposed rule-making that, in concept, the BPP system would be in the public interest, and sought comments on the system's estimated costs, advantages and disadvantages.

Issues

BPP is designed to shift the choice of 0+ carrier to the billed party rather than the premise owner, refocusing vendor competition on callers rather than proprietors. This is

envisaged as reducing rates, out of which carriers and operator services providers (OSPs) now—under competitive pressure—pay commissions to such site owners. The issue was initially raised because of excessive rates by some OSPs, who set excessively high rates in order to pay large commissions to premise owners.

However, at a price tag of \$1 billion to \$2 billion for initial costs, BPP is an expensive and technically complex solution. At the same time, U.S. callers have already adopted multiple means to dial-around carriers not of their choosing without this expense. (Dial-around refers to the use of special access codes—typically 1-0-xxx, 800- or 950- codes—to access the network of a designated carrier other than that to which the telephone is presubscribed.) Dial-around has dramatically increased in recent years, accounting for over 50 percent of call traffic in some locations. It is continuing to flourish, additionally stimulated recently by introduction of new 800 dial-around vehicles by MCI and AT&T (e.g., 1-800-COLLECT and 1-800-OPERATOR, respectively). The major carriers have vigorously promoted these alternatives as a means of accessing their networks when customers are at locations served by other providers.

The volume of dial-around usage demonstrates the U.S. traveling public has become generally aware of these methods. Non-AT&T carriers like MCI, Sprint and others initially promoted 800- and 950- access, with billing typically to their proprietary calling and travel cards, as the only way for their customers to use them "on the road." AT&T began aggressively promoting 1-0-288 access in recent years to counter operator service competition and stem its loss of market share. Further, it added significantly to dial-around with replacement of its

general-access calling cards by proprietary cards, which cannot be used with traditional "0+" access on phones not presubscribed to AT&T. Carrier proprietary cards, both those of AT&T and its competitors, have been distributed throughout the U.S. population on a massive and unprecedented basis.

Congress and the FCC have already required provision of dialing information by operator services providers and the "unblocking" of aggregator telephones to alternate access methods under TOCSIA (The Telephone Operator Consumer Services Improvement Act of 1990) to facilitate the use of access code dialing.

Two basic issues are considered herein:

- ◆ First, given that many users of operator services already routinely reach their preferred OSP, what is the estimated cost to consumers of a BPP system, per call actually "benefited" by implementation of a BPP system?
- ◆ Second, to what extent will the increased cost to consumers of BPP be offset by a reduction in commission payments from OSPs to call aggregators (such as hotels and payphone owners)?

Our conclusions are that the cost of BPP per call actually benefited will be substantial, and reductions in commission payments will be significantly offset by increased dial-around compensation and imposition of new location surcharges.

Market Estimates

In evaluating the costs and benefits of Billed Party Preference, the question arises as to how many calls, and what proportion of intended calls, will actually be affected by the system in the manner intended. Our conclusion, based on

extensive research in and analysis of this market, is that in 1992, a maximum of 19 percent of the calls to which Billed Party Preference is intended to apply would have been affected by the system.

Analysis

This analysis estimates the maximum number of calls covered by the intent of Billed Party Preference which would actually "benefit" by connecting the caller with carrier of choice. The universe of calls for which BPP is intended to apply includes all those where the caller uses operator-assisted (live or automated) calling or access code calling (1-0-xxx-0, 800-, or 950-) to handle calls in a manner other than direct-dialing and charging them to the originating location. The total of all these calls handled on interexchange carrier networks (including outbound international and intra-LATA traffic when carried by IXC's, but excluding international "inbound" and "dial-back" services like USA Direct) was approximately 3.3 billion in 1992, equaling \$9.8 billion, as shown in Figures 1 and 2. In order to determine the number of calls "benefited" by BPP, we subtracted from this initial figure those calls in which callers already routinely reach their carrier choice, or which otherwise will not benefit from the BPP system.

Figure 1

Operator Services/Card Calling: Number of Calls, 1992

TOTAL MARKET	3.3 billion
(all 0+,0- & access code calls)	
Calls from Homes and Businesses	1.3 billion
Calls from Public and Aggregator Locations	2.0 billion

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Since the effort is to establish a reasonable maximum of calls that could be benefited by BPP, we sought to estimate conservatively when excluding categories of calls from coverage.

Figure 2
Operator Services/Card Calling:
Revenues,
1992

TOTAL MARKET	\$9.8 billion
(all 0+,0- & access code calls)	
Total Calls Benefitted by BPP	\$1.8 billion

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Exclude Calls in which Caller and Aggregator or Presubscribed Business/Residence Have Same Carrier of Choice

The first deduction is for those calls in which the dialing party already is presubscribed to the same carrier as the telephone employed.

In the case of these calls, in which the preference of the caller and the location are identical, Billed Party Preference will have no effect. The major portion of calls excluded in this way are those on telephones presubscribed to AT&T.

We first sought to estimate the proportion of public and aggregator locations (such as hotels and payphones) in which the caller's presubscribed carrier and the phone's presubscribed carrier would be identical. As of June, 1992 (the approximate mid-point of 1992, the calendar year for which our estimates are provided), according to the FCC, 74.2 percent of presubscribed lines in the United States were presubscribed to AT&T, as

shown in Figure 3. This was used as an estimate of the proportion of consumer callers who would be presubscribed to AT&T in 1992.

Figure 3

**AT&T:
Presubscribed Lines and Aggregator Locations,
1992**

Presubscribed Access Lines (6/92)	74.2%
Approximate Weighted Percentage of Aggregator Locations	70.0%

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

According to the 1991 operator services study published by Market Intelligence Research Company (MIRC—the former name of a division of Frost and Sullivan), AT&T was estimated to have 73 percent of all U.S. operator services revenues for public and aggregator locations in 1990 (total market excluding "traditional" home/office OS revenues), which was projected to dip to 67 percent by 1992. However, based on developments since then and current research that shows AT&T has been losing market share more slowly than in the past, this number was increased to 70 percent. This is consistent with other market estimates of the proportion of public and aggregator phone locations in which AT&T is the presubscribed provider.

Multiplying the approximate share of consumers/businesses subscribing to AT&T (0.742) by the approximate share of public and aggregator locations controlled by AT&T (0.7) indicates that for some 52 percent (74.2 percent x 70 percent) of calls in the public arena, AT&T would be the preferred provider for both caller and aggregator. A similar formula using other carriers would add about 2 percent to this total. MCI had 14 percent of presubscribed lines in 1992 and

controlled an estimated 7 percent of aggregator locations ($0.14 \times 0.07 = 0.0098$), or approximately one percent. The addition of Sprint and all other carriers would add some 1 percent more. In total, then, for an estimated 54 percent of calling in the public arena, the caller and aggregator have the same preferred carrier.

However, not all operator calls are placed from public and aggregator locations. A substantial number are placed from homes and offices. For those calls made from homes and offices, an additional and conservative assumption was made that no less than half of these calls were made by residents of homes served or business people/employees from their own offices. Therefore, in such case, there is no likelihood of divergence between the preference of the billed party and the actual presubscription of the phone.

We estimated the other half of calls made from homes and offices to be cases in which a person is calling from another's home or office, or calling from a workplace for non-business reasons. The same 54 percent exclusion derived from the foregoing aggregator location analysis as in the public arena. Based on an estimated 2 billion calls in the public and aggregator markets and 1.3 billion from homes and offices (and setting aside also the half of the latter made by residents or employees), the following calls are excluded:

- ◆ Public/Aggregator Markets: Callers with same presubscribed carrier as aggregator
1.08 billion ($2 \text{ billion} \times 0.54$)
- ◆ Home/Office Markets: For home/office calls by residents/employees
650 million = ($1.3 \text{ billion} \times 0.5$)
- ◆ Home/Office Markets: "Visitor" callers with same presubscribed carrier as "host"
351 million = ($1.3 \text{ billion} \times 0.5 \times 0.54$)

The total calls excluded from BPP due to presubscribed and preferred carriers already being identical is thus estimated, in total, at approximately 2.08 (1.08 + 0.65 + 0.35) billion. Subtracted from the original 3.3 billion, the total number of calls that could be benefited by BPP following these exclusions are is approximately 1.22 billion.

Exclude Calls "Dialed-Around"

Of these remaining 1.22 billion calls, some 330 million calls in 1992 were "dialed around" by the caller accessing a different carrier than the one to which the phone was presubscribed. This number is not an estimate of all access code calls, but only of access code calls (1-0-xxx-0, 800- and 950-) that caused a call to travel over a network other than that which it would traveled otherwise. Thus, it does not include IXC travel card calls from phones presubscribed to them, nor 1-0-288 calls made by mistake or habit from AT&T phones. (Although the former calls are conventionally considered "dial-around" in the sense that the carrier avoids paying 0+ commissions on them to aggregators, for the purposes of this report, they are not considered to be dial-around since they do not change the fact that the caller is reaching his or her carrier of choice.) These estimates are based on our research showing that AT&T 1-0-288-0 dial-around averaged at least in the 20-25 percent range at non-AT&T public and aggregator locations during 1992, and that dial-around to other carriers in the market was below 10 percent of total operator services/card calling.

This exclusion of dial-around calls brings the total remaining to:

890 million (1.22 billion - 330 million)

Exclude Live "0-" Calls Reaching LEC Operator in which Billed and Calling Party are the Same

Of the remaining calls, many are dialed on a "0-" basis, handled by a live LEC operator, sent to an IXC network, and the billed and calling party are identical. In these cases, the caller simply dials "0" and in most locations, the caller reaches a live LEC operator. Most LECs already permit the dialing party to select his or her long distance carrier of choice and have the call routed to the preferred carrier network. BPP would accomplish the same thing and therefore would provide no benefit in these cases.

There are, however, certain locations in which "0-" calls are directed to a presubscribed OSP. Those calls would be benefited by BPP. They are therefore not included in this total.

No sent-paid "0-" calls reaching LEC operators would be benefited by BPP, since no information providing billing information is input as part of the calling process. Sent-paid "0-" calls are defined as those "operator-assisted" 0- calls in which the call is billed to the originating location. The calling party could verbally provide his request for preferred carrier to the operator. The automated BPP system would confer no value.

This is similarly the case for "0-" card calls, in which the caller dials "0," speaks with a live operator, and provides a card number. In these cases also, the caller could simply tell the

operator to which carrier he/she wished to direct the call, in which case, there would be no need for a database search, and the automated system confers no benefit.

In the case of collect and third-party calls, the live contact between the caller and operator does not resolve the issue of "billed party" preference as opposed to "calling party" preference. Since the calling party is not necessarily the billed party, the carrier choice may differ. It is well-established, however, that most third-party calling and much collect calling is to the caller's own home or office. AT&T's research, submitted as part of that company's comments on BPP, found that 95 percent of all third-party billed calling and 46 percent of all collect calling on that company's network was to the caller's own home or office, and that therefore in those cases there was no distinction between the calling and billed party.

Approximately 1.2 billion of our total universe of 3.3 billion calls in 1992 involved live operator intervention, and an estimated 330 million of these were "0-" calls initially handled by LEC operators. These further break down in call types, as shown in Figure 4.

We then estimated the proportion of calls in which the billed and calling party were identical. In the case of card and sent-paid calling, this number is 100 percent. In the case of collect and third party billing, we apply the proportions from AT&T research, to yield a total of approximately 257 million 0-calls in which the billed and calling party were the same. In these cases, the automated BPP system will provide no benefit since the caller could provide his/her IXC preference to the LEC operator verbally. In these circumstances, in fact, BPP will add time and inconvenience, with apparent need to interact with two operators.

Figure 4
"0-" Calling:
IXC Network Calls Directed to LEC Operators,
1992

<i>Call Type</i>	<i>Number of Total Calls</i>	<i>Percent of Calls in which Caller = Billed Party</i>	<i>Number of Calls in which Caller=Billed Party</i>
Card	125 million	100%	125 million
Collect	125 million	46%	57 million
3rd Party	40 million	95%	35 million
Sent-Paid	40 million	100%	40 million

Total 0- calls in which billed and calling party were identical = 257 million

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Currently, in fact, with LEC-offered Operator Transfer Services, callers usually can designate an interexchange carrier of choice. Many IXCs, however, have not participated in these services due to the costs both of the LEC services themselves and also of connection with LEC facilities. Because of this, a disproportionate number of these calls are handled by AT&T.

The point, however, is that a live LEC operator could direct such calls to alternative IXC networks equally well, regardless of the presence or absence of a BPP system. In order for BPP to work fully (as in order for operator transfer service to provide full choice among IXCs), IXCs would need to bear the costs of connection with LEC facilities. However, this is the case with or without BPP. It does not change the fact that the automated BPP system will not provide benefit to live "0-" calls unless the billed and calling party differ.

This logic cannot be applied to live "0+-" calls in which the caller dials a "0+" number and then reaches a live operator. In these cases, the caller reaches an IXC operator, who would have no projected means to interconnect with other IXC

networks. In the case of a "0-" call, however, the caller reaches a LEC operator who would have that interconnection ability.

That brings our balance of potentially benefited calls to:

633 million (890 million - 257 million)

Billed Party Preference: Calls Affected

This 633 million, in our opinion, represents an upper limit on the number of calls that could have been affected by BPP if it had been in effect in 1992. This includes those calls made by a caller on a carrier other than his or her presubscribed carrier in which the caller did not dial-around to reach a carrier of choice, where the caller could not have been connected by advising a live operator of his/her choice, or where the caller is not the billed party. The actual number is likely to be lower, due to the conservative assumptions used at each stage in the elimination process. As a proportion of the total calls in the universe of those covered by BPP (0+/0- and access code calls) it represents approximately 19 percent. Other factors that tend to make these estimates conservative in projecting that volume of calls that will not benefit from BPP include:

- ◆ Locations served by special access (e.g., large hotels & other institutions) will have to sacrifice the low costs of special access for calls to be switched into the BPP system. It is unclear how locations served by special access and/or CAPs (Competitive Access Providers) will participate in BPP. These represent a large portion of the hospitality and institutional markets. Requiring '0' calling to be diverted to switch lines would cause these hotels and institutions large additional costs beyond the BPP costs discussed here. If special access calling were to be excluded from BPP, this would reduce the number of calls benefited by BPP and raise the cost per benefited call further.

- ◆ Even to the extent that live-operator-handled calls do benefit from BPP in facilitating transfer to the desired IXC network, callers will face additional delays associated with dealing with more than one operator.

In summary, a relatively small share of all operator services and card calling will be affected by Billed Party Preference, as shown in Figure 5.

Figure 5
Total 0+/0-/Access Code Calling by BPP Status, 1992

	<i>Number of Calls</i>	<i>Percent of Calls</i>
Unaffected by BPP:..... Caller & Phone Share Same Carrier Preference	2.08 billion	63%
Unaffected by BPP:..... Dial-Around Calling	0.33 billion	10%
Unaffected by BPP:..... 0- Live Calling, Handled by LEC Operators in which Billed and Calling Parties Are the Same	0.26 billion	8%
Affected by BPP.....	0.63 billion	19%
TOTAL: All 0+/0-/Access Code IXC Calling	3.3 billion	100%

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Per-Call Cost of BPP

Estimates of the total costs of Billed Party Preference vary wildly. Estimates, both for initial implementation and ongoing costs, vary at this point far more dramatically than one would expect actual costs could. Carriers have differing ideas about the attribution of costs of OSS7 deployment and the accelerated replacement of analog switches to permit that deployment, among many other issues. Based on the most

recent information supplied the FCC by the 7 RHCs and GTE, it appears that these combined carriers' "best-guess" estimates are approximately \$950 million in initial and capital implementation costs and approximately \$175 million for annual operational costs. These estimates, however, do not count costs to all other local exchange carriers, and all interexchange carriers and operator services providers. Other organizations, such as the Competitive Telecommunications Association, have estimated implementation costs for all LECs and IXCs could exceed \$2 billion, along with annual operational costs exceeding \$150 million.

Regarding these two estimates as lower and upper bounds, respectively, and assuming initial costs are spread over a five- year period, using existing interest rates, total costs per year would be approximately \$400 million under the lower-cost case (\$225 million in initial and interest costs, \$175 annual operational costs) and \$625 million under the upper-cost case (\$475 million in initial and interest costs, \$150 million annual operational costs), as shown in Figure 6.

Most cost estimates on a per-call basis for BPP provided to date, such as those submitted by the RHCs to the FCC, have not only focused exclusively on their own costs, but on cost per-calls potentially affected—that is, all operator service-related calls. However, as we have shown here, the large majority of such calls will not in fact be affected by BPP.

If the number of calls affected by BPP is estimated at approximately 630 million annually, this suggests a minimum cost per call actually benefited as ranging from 63 to 99 cents. This is, of course, highly dependent on very uncertain cost estimates and assumes very conservatively that costs (and call

volumes) remain constant during the 5-plus-year period leading up to and including initial implementation.

Figure 6
Estimated Costs of BPP Implementation

<i>Costs</i>	<i>Low Range (RHCS & GTE)</i>	<i>High Range (CompTel)</i>
Initial Costs	\$950 million	\$2 billion
Annual Operational Costs	\$175 million	\$150 million
Estimated Annual Costs, First Five Years		
Amortized Initial Cost	\$225 million	\$475 million
Annual Operational Costs	\$175 million	\$150 million
Total Annual Costs,..... First Five Years	\$400 million	\$625 million
Cost Per Benefitted Call,..... First Five Years	\$0.635	\$0.992
Estimated Calls Potentially Affected by BPP, 1992.....	630 million	

Note: All figures are rounded.

Source: Frost & Sullivan, Inc.

Commission and Surcharges under BPP

The FCC estimated in its TOCSIA report that commissions paid by carriers to aggregators were approximately \$500 million in 1991. This estimate was based on required data submitted by carriers to the commission pursuant to TOCSIA. This information is held on a confidential basis and there were extensive issues about the validity, consistency, completeness, and meaning of the data submitted. There is confusion about the extent to which the commission numbers submitted by carriers included or excluded location-specific surcharges. The sample of specialized OSP companies used was inadequate for evaluating that segment.